DEPARTMENT OF ENVIRONMENT

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 2004 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure/(recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 22, 2004

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	2004	2003 Restated (Note 3)
ASSETS		
Current assets:		
Accounts receivable (Note 11)	$ 135,865	$ 77,379
Inventories	350,264	365,636
Prepaid expenses	49,059	48,696
	535,188	491,711
Capital assets (Note 6)	---	2,953,396
	$ 535,188	$ 3,445,107
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable (Note 11)	$ 323,549	$ 56,721
Unearned revenue (Note 7)	8,280	---
	331,829	56,721
Non-current liabilities:		
Accumulated net expenditure (Statement 3 and Note 11)	86,094	3,475,081
Fund equity:		
Accumulated operating surplus/(deficit) (Statement 2)	117,265	(86,695)
	$ 535,188	$ 3,445,107

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)
For the Year Ended March 31

	2004		2003
	Budget (Note 10)	Actual	Actual Restated (Note 3)
Revenues:			
Radio communications	$ 1,698,000	$ 1,767,749	$ 1,618,934
Equipment rental and recoveries	331,000	299,583	318,244
Staff housing	174,000	186,205	162,365
Northern air operations	100,000	37,107	180,587
Land access registration	50,000	6,420	---
	2,353,000	2,297,064	2,280,130
Expenses:			
Salaries and benefits	1,052,000	1,052,766	1,133,629
Contractual services	484,000	362,604	454,791
Amortization	510,000	428,628	458,645
Materials & supplies	274,000	180,728	366,275
Travel & sustenance	61,000	61,938	55,471
Communications	---	299	---
Bad debt	8,000	---	(4,909)
Other	---	6,141	---
	2,389,000	2,093,104	2,463,902
Net income/(loss) (Notes 7 and 12)	$ (36,000)	203,960	(183,772)
Accumulated operating (deficit)/surplus, beginning of year		(86,695)	97,077
Accumulated operating surplus/(deficit), end of year - to Statement 1		$ 117,265	$ (86,695)

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE/(RECOVERY)
For the Year Ended March 31

	2004	2003 Restated (Note 3)
Financing (provided by)/required for operating activities:		
Net (profit)/loss	$ (203,960)	$ 183,772
Items not affecting working capital		
-amortization	(428,628)	(458,645)
-gain on disposal of capital assets	12,445	40,110
Net (decrease) in working capital items related to operations (Note 8)	(231,631)	(158,234)
Net financing (provided by) operating activities	(851,774)	(392,997)
Financing (provided by)/required for investing activities:		
Purchase of capital assets	1,143,966	809,058
Proceeds from sale of capital assets	(18,845)	(59,527)
Net financing required for investing activities	1,125,121	749,531
Net increase in financing requirements	273,347	356,534
Accumulated net expenditure, beginning of year	3,475,081	3,118,547
Transfer of capital assets (Note 6)	(3,662,334)	---
Accumulated net expenditure, end of year - to Statement 1	$ 86,094	$ 3,475,081

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services. The Department of Environment administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure/(Recovery) and Note 8. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure/(Recovery)

The accumulated net expenditure/(recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and

ii) the book value of assets acquired at no charge from or transferred to another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Inventories consist of airplane parts and radio components.

d) Revenue recognition

Revenue is recognized when services are rendered.

e) Capital Assets

Individual capital assets costing more than $500 are capitalized. Amortization commences in the year of acquisition for Radio Communications and Northern Air Operations and amortization for Equipment Rental commences in the year following acquisition. Amortization is calculated on the straight-line basis over the useful life of the asset. Annual amortization rates are 8% for radio communication equipment and 5% to 33% for other equipment.

3. Prior Period Restatement

In 2002-03, a trailer belonging to the Revolving Fund was destroyed in an accident but was not removed from the capital asset records. As a result, management has restated the 2002-03 financial statements. Previously reported capital assets have been decreased by $47,181 and accumulated operating deficit has been increased by the same amount. Also, amortization expense and net loss for the year ended March 31, 2003 have been increased by $47,181.

4. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $5,500,000 was established by Order in Council 515/94.

5. Accumulated Operating Surplus/(Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/(deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/(deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified $200,000 as the limit for the accumulated operating surplus/(deficit) of the Revolving Fund.

6. Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value Restated (Note 3)
Equipment rental	$ ---	$ ---	$ ---	$ 2,011,397
Radio communications	---	---	---	899,304
Northern air operations	---	---	---	42,695
	$ ---	$ ---	$ ---	$ 2,953,396

In January 2004, Treasury Board approved the transfer of the Revolving Fund's capital assets to the Department of Environment. This transfer occurred on March 31, 2004 at net book value. The assets' cost of $8,802,782 and accumulated amortization of $5,140,448 have been reduced to $nil and the accumulated net expenditure has been reduced by the net book value of $3,662,334. In the future, the Department will provide use of capital assets to the Revolving Fund.

7. Segmented Information

	2004			2003
	Revenues	Expenses	Net Income/ (Loss)	Net Income/ (Loss) Restated (Note 3)
Radio communications	$ 1,767,749	$ 1,662,426	$ 105,323	$ (214,740)
Equipment rental	299,583	250,532	49,051	9,381
Staff housing	186,205	142,390	43,815	(12,445)
Northern air operations	37,107	31,336	5,771	34,032
Land access registration	6,420	6,420	---	---
	$ 2,297,064	$ 2,093,104	$ 203,960	$ (183,772)

Treasury Board approved the addition of a segment to the Revolving Fund for the 2003-04 fiscal year. As per the Water Regulations, 2002, the Department is required to collect a land access registration fee from applicants who wish to request access to certain lands for waste and water work operations. The Department is responsible to register this interest with Information Services Corporation once the approval of the application is complete. Monies received in anticipation of approval of the application are recorded as unearned revenue.

8. Net Change in Working Capital Items Related to Operations

	2004	2003
Increase/(decrease) in accounts receivable	$ 58,486	$ (131,867)
(Decrease) in inventories	(15,372)	(67,131)
Increase in prepaid expenses	363	1,542
(Increase)/decrease in accounts payable	(266,828)	39,222
(Increase) in unearned revenue	(8,280)	---
	$ (231,631)	$ (158,234)

9. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred. These transactions, and amounts outstanding at year end, are as follows:

Category	2004	2003
Revenues:		
Radio communications	$ 1,749,999	$ 1,609,202
Equipment rental and recoveries	252,402	318,244
Staff Housing	60,829	35,034

Expenses:		
Contractual services	110,149	130,531
Materials & supplies	12,719	7,097
Travel & sustenance	37,893	33,143
Accounts receivable	114,696	75,783
Accounts payable	8,313	13,277

In addition, the Revolving Fund pays Provincial Sales tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Revolving Fund currently utilizes 19 housing units for staff that are the property of the Saskatchewan Housing Corporation (SHC). The Revolving Fund has an agreement with SHC that outlines each party's responsibility with respect to the administration of these units. The Revolving Fund receives no rental income from these units. The Revolving Fund incurred $69,734 (2003 - $117,578) for the repairs and maintenance of these units. It also recorded a receivable and revenue of $60,829 (2003 - $35,034) from SHC for the reimbursement of some of the cost of the repairs and maintenance.

As well, the Revolving Fund currently utilizes 14 housing units for staff that the Saskatchewan Property Management Corporation (SPMC) owns and 11 housing units for staff that the Department owns. The Revolving Fund receives rental income from these units, however both SPMC and the Department charge no rent from the Revolving Fund. All administration, repairs and maintenance of these housing units are the responsibility of the Revolving Fund.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates their carrying value.

The fair value of the accumulated net expenditure has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to minimal credit risk from the potential of non-payment of accounts receivable. Most receivables were received subsequent to year-end.

12. Amount Reported in Public Accounts

The net (expenditure)/recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2004	2003 Restated (Note 3)
Net income/(loss)	$ 203,960	$ (183,772)
Decrease in inventory	15,372	67,131
(Increase) in net capital assets	(708,938)	(330,996)
Amounts (not included)/included in Public Accounts due to timing	(5,067)	43,327
Net (expenditure)/recovery reported in Public Accounts	$ (494,673)	$ (404,310)